

FIRST QUARTER REPORT

For the three months ended March 31, 2008

OUR STRATEGIC DIRECTION

VISION:

People and innovation...powering Saskatchewan to a bright future

MISSION:

Safe, reliable and sustainable power to our customers

ABOUT US:

As the principal supplier of electricity in Saskatchewan, SaskPower serves more than 452,000 customers and manages \$4.4 billion in assets. We have over 2,500 permanent fulltime employees located in 71 communities. Our company operates three coal-fired power stations, seven hydroelectric stations, four natural gas stations and two wind facilities with an aggregate generating capacity of 3,214 megawatts (MW). SaskPower also has purchase agreements with the Meridian Cogeneration Station, Cory Cogeneration Station, SunBridge Wind Power Project and NRGreen Kerrobert Heat Recovery Project. Total available capacity is 3,668 MW. SaskPower maintains more than 155,000 kilometres of power lines, 52 high voltage switching stations and 175 distribution substations. We also operate three wholly-owned subsidiaries – SaskPower International, NorthPoint Energy Solutions and SaskPower Shand Greenhouse.

FINANCIAL HIGHLIGHTS AND OPERATING STATISTICS

Financial Highlights

(in millions)	Three months ended March 31		
	2008	2007	Change
Revenue	\$ 380	\$ 371	\$ 9
Net income	71	43	28
Dividends	16	22	(6)
Capital expenditures	62	49	13
Long-term debt	2,224	2,296	(72)

Operating Statistics

	Three months ended March 31		
	2008	2007	Change
Saskatchewan electricity sales (GWh)	4,800	4,719	81
Exports (GWh)	60	145	(85)
Electricity trading (GWh)	375	447	(72)
Total electric sales (GWh)	5,235	5,311	(76)
Generating capacity (net MW)	3,668	3,668	-
Peak load (net MW)	3,016	2,969	47
Customers	452,896	446,052	6,844

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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis (MD&A) highlights the primary factors that have an impact on the financial results and operations of Saskatchewan Power Corporation (SaskPower, the Corporation). It should be read in conjunction with the SaskPower unaudited interim consolidated financial statements and supporting notes for the three months ended March 31, 2008. These interim financial statements have been prepared in accordance with the Canadian Institute of Chartered Accountants (CICA) section 1751, "Interim Financial Statements." The SaskPower Audit and Finance Committee of the Board of Directors has approved the interim financial statements.

The MD&A contains forward-looking statements based on the Corporation's estimates and assumptions concerning future results and events. Due to the risks and uncertainties inherent in any forecasted outlook, the actual results of the Corporation could differ materially from those anticipated. These risks and uncertainties include natural gas prices; coal and hydro availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Financial Results

(in millions)	Three months ended March 31		
	2008	2007	Change
Revenue	\$ 380	\$ 371	\$ 9
Expense	(309)	(328)	19
Net income	\$ 71	\$ 43	\$ 28

Highlights

The Corporation recorded a net income of \$71 million in the first quarter of 2008. This net income was an increase of \$28 million from the first quarter of 2007. The quarter-over-quarter increase in net income was the result of a \$9-million improvement in revenue and a \$19-million decrease in expense.

The \$9-million improvement in revenue was largely attributable to a \$12-million increase in Saskatchewan sales due to higher electric sales volumes. In addition, the 4.3% rate increase implemented on February 1, 2007, provided two months of additional revenue in the first quarter of 2007 compared to three months of additional revenue over the same period in 2008.

Total expenses for the first quarter of 2008 decreased \$19-million compared to the same period in 2007. This was largely due to an \$18-million decrease in fuel and purchased power costs, resulting primarily from changes in the market value of natural gas hedges. There was also a \$4-million decrease in finance charges as a result of debt retirement fund earnings and changes in market value. These decreases were partially offset by a \$3 million increase in operating, maintenance and administration (OM&A) and depreciation expense.

Outlook

Forecasted earnings for 2008 are expected to be \$91 million, a \$47-million decrease in net income from 2007. Earnings are expected to deteriorate due to an increase in expense, largely as a result of higher fuel and purchased power costs. The increase in fuel and purchased power is driven by lower hydro availability, higher electricity sales volumes, and higher natural gas prices. The increase in expense is expected to be partially offset by an increase in revenues, primarily as a result of higher Saskatchewan sales revenue driven by higher demand.

These earnings expectations are subject to a number of variables including: natural gas prices; coal and hydro generation availability; weather; economic conditions; number of customers; and market conditions in other jurisdictions.

Total capital expenditures for 2008 are expected to be \$547 million, up \$267 million from the \$280 million spent in 2007. This includes \$145 million invested towards 400 megawatts (MW) of new generation as well costs to refurbish Poplar River Power Station Unit #1, upgrade various transformers and transmission lines, and connect new customers to SaskPower's grid.

Revenue

Saskatchewan electricity sales

(in millions)	Three months ended March 31		
	2008	2007	Change
Saskatchewan electricity sales	\$ 365	\$ 353	\$ 12

Revenue from Saskatchewan electricity sales was \$365 million in the first quarter of 2008, up \$12 million from the same period in 2007. The rise in Saskatchewan sales revenue was due to the increase in electric sales volumes – which are driven by general economic conditions – as well as number of customers and weather. In the first three months of 2008, electric sales volumes to Saskatchewan customers were 4,800 gigawatt hours (GWh), up 81 GWh from the first three months of 2007.

SaskPower also received three months of additional revenue in the first quarter of 2008 – compared to two months in the same period of 2007 – as a result of the 4.3% rate increase implemented on February 1, 2007.

Exports

(in millions)	Three months ended March 31		
	2008	2007	Change
Exports	\$ 4	\$ 9	\$ (5)

Exports include the sale of SaskPower's surplus generation to other regions in Canada and the United States. Export pricing is not subject to the rate review process and is priced by the external market. Export sales volumes are dependent on surplus SaskPower generation, market conditions in other jurisdictions and transmission availability.

Exports decreased from \$9 million in the first quarter of 2007 to \$4 million in the first quarter of 2008. This decrease in revenue was primarily due to lower sales volumes as a result of increased domestic load and transmission restrictions that limited the availability to export. Export sales volumes decreased 85 GWh during the first three months of 2008, compared to the first three months of 2007. This decline in volumes was partially offset by an increase in the average export sales price which was approximately \$73 per megawatt hour (MWh) in the first quarter of 2008. This compares to a price of approximately \$65/MWh in the same period of 2007.

Net sales from electricity trading

(in millions)	Three months ended March 31		
	2008	2007	Change
Electricity trading revenue	\$ 28	\$ 29	\$ (1)
Electricity trading costs	(28)	(29)	3
Electricity trading market value losses	(2)	-	(2)
Net sales from electricity trading	\$ -	\$ -	\$ -

Electricity trading activities, performed by SaskPower's subsidiary NorthPoint Energy Solutions Inc., include the purchase and resale of electricity and other electricity-related commodities and derivatives from regions outside of Saskatchewan.

Electricity trading revenues were \$28 million in the first quarter of 2008 compared to \$29 million in the first quarter of 2007. The decrease was due to a 72 GWh decline in trading volumes largely as a result of fewer market opportunities in the Midwest Independent Transmission System Operator (MISO) and Ontario markets. The decline in sales volumes was partially offset by an increase in the average sales price, which price increased from \$64/MWh in the first three months of 2007, to approximately \$75/MWh in the first three months of 2008.

The gross margin, or net sales after deducting related electricity trading costs, was nil in the first quarter of 2008 – consistent with the 2007 first quarter results. The 2008 first quarter results include a \$2 million unrealized market value loss on outstanding electricity trading contracts.

Other revenue

(in millions)	Three months ended March 31		
	2008	2007	Change
Other revenue	\$ 11	\$ 9	\$ 2

Other revenue was \$11 million in the first quarter of 2008, compared to \$9 million during the same period in 2007. This increase was primarily due to additional revenues received from the sale of flyash, higher gas and electrical inspection revenue; and higher external transmission tariff revenue.

Expense

Fuel and purchased power

(in millions)	Three months ended March 31		
	2008	2007	Change
Fuel and purchased power	\$ 105	\$ 123	\$ (18)

SaskPower's fuel and purchased power costs include the fuel charges associated with the electricity generated from SaskPower-owned facilities, electricity purchased through power purchase agreements, as well as electricity imported from markets outside Saskatchewan. This electricity is used to serve the Corporation's Saskatchewan customers, with surplus electricity being sold to markets outside the province when favourable conditions exist.

SaskPower's fuel cost management strategy focuses on the economic dispatch of the generating units that bring the lowest incremental cost units on stream first. In general, this means maximizing hydro and coal generation, which have the lowest incremental cost per unit of generation. Hydro generation is dependent upon water levels at the Corporation's hydro facilities while coal generation is a product of the availability of the Corporation's coal plants. Wind generation – which represents SaskPower's lowest incremental cost source of electricity – cannot be dispatched on a planned basis, as it is dependent upon wind conditions.

Total fuel and purchased power costs of \$105 million in the first quarter were down \$18 million from the same period in 2007. The decrease was due to the Corporation experiencing \$35 million in unrealized natural gas market value gains in the first quarter of 2008 compared to \$12 million during the same period of 2007. This \$23 million increase in unrealized market value gains was partially offset by a \$5 million increase in operational fuel and purchased power costs. The operational increase in fuel and purchased power was due to an unfavourable change in the fuel mix and generation volumes which was partially offset by an improvement in average import prices.

The fuel and purchased power mix is the relative proportion that each fuel source contributes to our total fuel supply. The more energy that is generated from lower incremental cost units such as hydro, coal, and wind, the more favourable the impact on fuel and purchased power costs. In the first quarter of 2008, the Corporation's hydro and coal generation was down slightly from the same period during 2007. This energy was replaced primarily with more expensive import energy.

Total generation and purchased power in the first three months of 2008 was 5,449 GWh, an increase of 67 GWh compared to the same period in 2007.

These unfavourable variances were partially offset by a decrease in the average cost of imports. The average import costs decreased from \$83.37/MWh in the first three months of 2007 to \$60.64/MWh in the first three months of 2008.

Operating, maintenance and administration (OM&A)

(in millions)	Three months ended March 31		
	2008	2007	Change
OM&A	\$ 102	\$ 100	\$ 2

OM&A expense was up \$2 million in the first quarter of 2008, compared to the first quarter of 2007. The increase was primarily the result of a \$3-million increase in salaries and benefits as a result of annual wage increases and additional staff.

Depreciation

(in millions)	Three months ended March 31		
	2008	2007	Change
Depreciation	\$ 55	\$ 54	\$ 1

Depreciation expense was \$55 million in the first quarter of 2008, compared to \$54 million in the first quarter of 2007. The rise in depreciation expense was primarily attributable to an increase in the asset base, as a result of ongoing capital expenditures.

Finance charges

(in millions)	Three months ended March 31		
	2008	2007	Change
Finance charges	\$ 38	\$ 42	\$ (4)

In the first quarter of 2008, finance charges were \$38 million, a decrease of \$4 million compared to the first quarter of 2007. The decrease in finance charges was primarily due to \$2 million in unrealized market value gains recorded on debt retirement funds in the first quarter of 2008, compared to \$1 million in unrealized market value losses for the same period of 2007.

Taxes

(in millions)	Three months ended March 31		
	2008	2007	Change
Taxes	\$ 9	\$ 9	\$ -

Corporate capital tax, grants-in-lieu of taxes and other taxes were \$9 million in the first three months of 2008, consistent with the same period in 2007.

Liquidity and Capital Resources

The Corporation's cash position was \$10 million as at March 31, 2008, down \$74 million from December 31, 2007. The \$74 million decrease was the result of \$57 million used in investing activities and \$85 million used in financing activities, offset by \$68 million provided by operating activities.

a) Operating activities

(in millions)	Three months ended March 31		
	2008	2007	Change
Operating cash flow	\$ 88	\$ 84	\$ 4
Net change in non-cash working capital	(20)	(20)	-
Cash provided by operating activities	\$ 68	\$ 64	\$ 4

Despite a \$28-million increase in net income, operating cash flow was only up \$4 million in the first three months of 2008 compared to the same period in 2007. The relatively modest increase in operating cash flow relative to the increase in net income was due largely to the increase in unrealized gains on natural gas hedges.

b) Investing activities

(in millions)	Three months ended March 31		
	2008	2007	Change
Generation	\$ 27	\$ 19	\$ 8
Transmission & Distribution	31	25	6
Other	4	5	(1)
Total capital expenditures	\$ 62	\$ 49	\$ 13
Customer contributions and net cost of removals	(4)	(3)	(1)
Equity investment distribution	(1)	(4)	3
Cash used in investing activities	\$ 57	\$ 42	\$ 15

SaskPower invested \$62 million in the first three months of 2008 on various capital projects. This includes \$15 million to connect customers to the SaskPower electric system; \$16 million to extend the life of Unit #1 at the Poplar River Power Station; and \$6 million spent on the Ermine simple cycle gas turbine project. Overall, capital spending is up \$13 million from the same period in 2007.

Total customer contributions, net of proceeds of removal, were \$4 million in the first quarter of 2008, up \$1 million from 2007. Customer contributions are funds received from certain customers toward the costs of service extensions. These contributions are netted against property, plant and equipment and are amortized over the estimated service life of the related asset. The proceeds of removal represent the cash paid or received upon normal disposal of an asset.

In the first three months of 2008, \$1-million in equity distributions have been received from the MRM Cogeneration Station compared to \$4 million in the same period in 2007.

c) Financing activities

(in millions)	Three months ended March 31		
	2008	2007	Change
Net funds from debt / short-term advances	(104)	103	(207)
Net debt retirement fund installments / redemptions	80	(9)	59
Dividends paid	(31)	(10)	(21)
Cash (used in) provided by financing activities	\$ (85)	\$ 84	\$ (169)

In the first three months of 2008, \$85 million of cash was used in financing activities, compared to \$84 million cash provided by financing activities in the first three months of 2007. The \$85 million cash outflow was made up of net debt repayments and dividend payments to Crown Investments Corporation (CIC), offset by net debt retirement fund redemptions.

Debt/short-term advances

(in millions)

As at	March 31 2008	December 31 2007	Change
Gross long-term debt	\$ 2,296	\$ 2,565	\$ (269)
Less: current portion of long-term debt	(72)	(340)	268
Total long-term debt	2,224	2,225	(1)
Short-term advance	\$ 165	\$ -	\$ 165
Per cent debt ratio¹	59.0%	59.7%	(0.7%)

¹ Per cent debt ratio = (debt) / (debt + equity), where debt = (long-term + short-term advances + current portion of long-term debt - cash and cash equivalents - debt retirement funds) and where equity = (equity advances + retained earnings).

SaskPower's gross long-term debt position was \$2,296 million at March 31, 2008, down \$269 million from December 31, 2007. The decrease in gross debt was the result of the following:

- The Corporation repaid \$268 million of long-term debt with interest rates ranging from 7.70% to 9.62%.
- Through its subsidiary, SaskPower International, the Corporation repaid \$1 million of non-recourse debt.

In addition, the Corporation obtained \$165 million in short-term advances from the Saskatchewan Ministry of Finance to finance a portion of the debt repayment. On April 2, 2008, the Corporation replaced this short-term advance with \$250 million of long-term debt at a premium of \$3 million. The debt issue has a coupon rate of 4.75%, an effective interest rate of 4.6% and matures on June 1, 2040.

The Corporation's per cent debt ratio has decreased slightly from 59.7% at the end of 2007 to 59.0% as at March 31, 2008.

Debt Retirement Funds

(in millions)

As at	March 31 2008	December 31 2007	Change
Debt retirement funds, beginning of period	\$ 237	\$ 201	\$ 36
Market value adjustment upon adoption of financial instrument standards	4	4	(4)
Debt retirement fund redemptions	(59)	-	(59)
Debt retirement fund installments	9	23	(14)
Debt retirement fund earnings	4	8	(4)
Debt retirement fund market value gains	2	1	1
Debt retirement funds, end of period	\$ 193	\$ 237	\$ (44)

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. SaskPower makes regular contributions to the funds, which are held and invested by the Province of Saskatchewan.

The Corporation's debt retirement funds decreased \$44 million to \$193 million at March 31, 2008. The decrease in the value of the funds is the result of \$59 million in redemptions, less \$9 million in contributions (classified as financing activities) and \$6 million in earnings and market value adjustments (classified as non-cash operating activities) during the period.

Dividends

SaskPower pays dividends to CIC based on the CIC Dividend Policy. Dividends in the first quarter of 2008 were calculated based on 50% of budgeted net income, excluding unrealized gains and losses on held-for-trading financial instruments. Dividends on each three-month period's net earnings are paid quarterly, with a one-quarter lag to allow for the financial statements to be audited before the annual dividend is finalized.

In the first quarter of 2008, SaskPower paid \$31 million in dividends to CIC. This represents the dividend payable for the fourth quarter of 2007. The Corporation declared a \$16 million dividend payable to the CIC for the first three months of 2008. This dividend is payable to CIC on June 30, 2008.

Consolidated Statement of Income and Retained Earnings

(in millions)	(Unaudited) Three months ended March 31	
	2006	2007
Revenue		
Electric sales		
Saskatchewan	\$ 385	\$ 353
Export	4	9
Net sales from electricity trading (Note 6)	-	-
Other	11	9
Total revenue	390	371
Expense		
Fuel and purchased power (Note 7)	105	123
Operating, maintenance and administration	102	100
Depreciation	55	54
Finance charges (Note 8)	38	42
Taxes	9	9
Total expense	309	328
Net income	71	43
Retained earnings, beginning of period	853	808
Change in accounting policy	-	2
Dividends	(16)	(22)
Retained earnings, end of period	\$ 508	\$ 831

See accompanying notes

Consolidated Statement of Financial Position

(in millions)

As at	(Unaudited) March 31 2008	(Audited *) December 31 2007
Assets		
Current assets		
Cash and cash equivalents	\$ 10	\$ 84
Accounts receivable and unbilled revenue	184	188
Inventory	133	145
Derivative financial instruments asset	29	4
	356	421
Property, plant and equipment		
Property, plant and equipment	6,736	6,688
Less: accumulated depreciation	3,137	3,088
	3,599	3,600
Construction in progress	153	134
	3,752	3,734
Debt retirement funds	193	237
Other assets	83	86
Total assets	\$ 4,384	\$ 4,478
Liabilities and equity		
Current liabilities		
Accounts payable and accrued liabilities	\$ 163	\$ 169
Accrued interest	26	54
Derivative financial instruments liability	5	14
Short-term advance (Note 9)	165	-
Current portion of long-term debt	72	340
Dividends payable	16	31
	447	608
Long-term debt (Note 9)	2,224	2,225
Other liabilities	144	130
Total liabilities	2,815	2,963
Equity		
Equity advances	660	660
Retained earnings	908	853
Accumulated other comprehensive income (loss)	1	2
Total equity	1,569	1,515
Total liabilities and equity	\$ 4,384	\$ 4,478

Commitments and contingencies (Note 13)

See accompanying notes

* As presented in the audited December 31, 2007, consolidated statement of financial position

Consolidated Statement of Comprehensive Income

(in millions)	(Unaudited) Three months ended March 31	
	2008	2007
Net income	\$ 71	\$ 43
Other comprehensive income:		
Net (gains) losses on natural gas hedges in prior periods reclassified to net income in the current period	(1)	3
Other comprehensive (loss) income	(1)	3
Total comprehensive income	\$ 70	\$ 46

Consolidated Statement of Accumulated Other Comprehensive Income (Loss)

(in millions)	(Unaudited) Three months ended March 31	
	2008	2007
Accumulated other comprehensive income (loss), beginning of period	\$ 2	\$ (12)
Other comprehensive (loss) income	(1)	3
Accumulated other comprehensive income (loss), end of period	\$ 1	\$ (9)

Consolidated Statement of Cash Flows

(in millions)	(Unaudited) Three months ended March 31	
	2008	2007
Operating activities		
Net income	\$ 71	\$ 43
Add (deduct) items not involving cash:		
Depreciation	55	54
Natural gas hedges market value gains	(36)	(16)
Natural gas hedges transitional market value losses reclassified to net income	1	4
Electricity trading market value losses	2	-
Debt retirement fund earnings	(4)	(3)
Debt retirement fund market value (gains) losses	(2)	1
Defined benefit pension plan expense	3	2
Equity investment income	(2)	(2)
Other	-	1
	88	84
Net change in non-cash working capital	(20)	(20)
Cash provided by operating activities	68	64
Investing activities		
Property, plant and equipment	(61)	(48)
Interest capitalized	(1)	(1)
Customer contributions and net proceeds on removal	4	3
Equity investment distribution	1	4
Cash used in investing activities	(57)	(42)
Increase in cash before financing activities	11	22
Financing activities		
Proceeds from long-term debt	-	104
Repayment of long-term debt	(268)	-
Proceeds from short-term advance	165	-
Repayment of non-recourse debt	(1)	(1)
Debt retirement fund installments	(9)	(9)
Debt retirement fund redemptions	59	-
Dividends paid	(31)	(10)
Cash (used in) provided by financing activities	(85)	84
(Decrease) increase in cash	(74)	106
Cash and cash equivalents, beginning of period	84	20
Cash and cash equivalents, end of period	\$ 10	\$ 126

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

1. Status of the Corporation

Saskatchewan Power Corporation (SaskPower; the Corporation), a provincially-owned Crown corporation, generates, purchases, transmits, distributes and sells electricity and related products and services. Founded as the Saskatchewan Power Commission in 1929, SaskPower was set up in 1949 and operates primarily under the mandate and authority of *The Power Corporation Act*.

These consolidated financial statements include the accounts of the Corporation and its wholly-owned subsidiaries, NorthPoint Energy Solutions Inc. (NorthPoint), Power Greenhouses Inc. (Shand Greenhouse), and SaskPower International Inc. (SaskPower International). All inter-company transactions have been eliminated on consolidation.

2. Summary of Significant Accounting Policies

These unaudited interim consolidated financial statements (interim financial statements) do not include all of the disclosures included in the Corporation's annual consolidated financial statements. Accordingly, these interim financial statements should be read in conjunction with the Corporation's most recent annual consolidated financial statements.

SaskPower's Saskatchewan electric sales to residential and commercial customers are seasonal, with the first and fourth quarters being the strongest periods, reflecting colder weather and fewer daylight hours.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles (GAAP). The timely preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Significant areas requiring the use of management estimates include electricity sales not yet billed; carrying amounts of property, plant and equipment, underlying estimates of useful lives and related depreciation; carrying amounts of asset retirement obligations and underlying estimates of future cash flows; the fair value of financial instruments; and carrying amounts of deferred pension costs and underlying actuarial assumptions. Actual results could differ from those estimates, which may impact the actual transactions and events reported in future periods.

The accounting policies used in the preparation of these interim financial statements conform with those used in the Corporation's most recent annual consolidated financial statements, with the exceptions described in Note 3.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

3. Change in Accounting Policies

Financial instruments – disclosure and presentation

Effective January 1, 2008, SaskPower adopted the new CICA Section 3862, "Financial Instruments – Disclosures" and Section 3863 "Financial Instruments – Presentation." These sections replace Section 3861, "Financial Instruments – Disclosure and Presentation." The impact of implementing these new standards has been disclosed in Notes 10 and 11.

Capital disclosures

Effective January 1, 2008, SaskPower adopted Section 1535, "Capital Disclosures." The new required disclosure regarding what the Corporation defines as capital and its objectives, policy and process for managing capital is provided in Note 12.

Inventories

Effective January 1, 2008, SaskPower adopted Section 3031, "Inventories." The new accounting standard provides guidance on the method of determining the cost of the Corporation's inventory; specifies that inventories are to be valued at the lower of cost and net realizable value; and requires the reversal of previously recorded write-downs to realizable value when there is clear evidence that net realizable value has increased. The adoption of this new standard had no material impact on these consolidated financial statements.

4. Change in Accounting Estimate (in millions)

Effective January 1, 2008, following the completion of an asset retirement obligation study, the fair value of the estimated cost to decommission the Corporation's coal, gas, and wind generation facilities have been changed. The impact of this change in estimate increased property, plant and equipment and other liabilities by \$14 and had no material impact on depreciation expense in the first quarter of 2008.

5. Dividend Policy

SaskPower pays dividends to CIC based on the CIC dividend policy. For the three months ended March 31, 2008, dividends were calculated based on 50% of budgeted net income for the year, excluding unrealized gains and losses on held-for-trading financial instruments.

6. Net Sales from Electricity Trading (in millions)

	Three months ended March 31	
	2008	2007
Electricity trading revenue	\$ 28	\$ 29
Electricity trading costs	(26)	(29)
Electricity trading market value losses	(2)	-
	\$ -	\$ -

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

7. Fuel and Purchased Power (in millions)

	Three months ended March 31	
	2008	2007
Coal-fired generation	\$ 48	\$ 43
Natural gas generation	25	29
Hydro generation	3	3
Purchased power	55	55
Imports	11	5
Natural gas hedges market value gains	(36)	(16)
Natural gas hedges transitional market value losses reclassified to net income	1	4
	\$ 105	\$ 123

8. Finance Charges (in millions)

	Three months ended March 31	
	2008	2007
Interest on long-term debt	\$ 46	\$ 46
Interest capitalized	(1)	(1)
Debt retirement fund earnings	(4)	(3)
Debt retirement fund market value (gains) losses	(2)	1
Interest income	(1)	(1)
	\$ 38	\$ 42

9. Long-term Debt (in millions)

In the first three months of 2008, the Corporation repaid \$268 of long-term debt with interest rates ranging from 7.70% to 9.62% and \$1 of non-recourse debt.

On March 31, 2008, the Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed \$165 of short-term debt. The borrowing had a coupon rate of 3.0% and matured on April 2, 2008.

On April 2, 2008, the Corporation, through the Saskatchewan Ministry of Finance (General Revenue Fund), borrowed \$250 of long-term debt at a premium of \$3. The borrowing has a coupon rate of 4.75%, an effective interest rate of 4.6% and matures on June 1, 2040.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

10. Financial Instruments (in millions)

The following summarizes the classification, carrying amounts and fair values of the Corporation's financial instruments:

		March 31, 2008		December 31, 2007	
Financial instruments	Classification ⁴	Asset (liability)		Asset (liability)	
		Carrying amount	Fair value	Carrying amount	Fair value
Financial assets					
Cash and cash equivalents	HFT ¹	\$ 10	\$ 10	\$ 84	\$ 84
Accounts receivable and unbilled revenue	L&R ²	184	184	188	188
Debt retirement funds	HFT ¹	193	193	237	237
Investment	HFT ¹	2	2	2	2
Financial liabilities					
Accounts payable and accrued liabilities	OL ³	\$ (163)	\$ (163)	\$ (169)	\$ (169)
Recourse debt	OL ³	(2,194)	(2,765)	(2,462)	(3,037)
Non-recourse debt	OL ³	(86)	(96)	(87)	(97)

1. HFT – held-for-trading.

2. L&R – loans and receivables.

3. OL – other liabilities.

4. The Corporation has not classified any of its financial instruments as at March 31, 2008 as either held-to-maturity or available-for-sale.

Fair values are determined as follows:

- (a) Debt retirement funds are valued at the closing period-end unit prices received from the Saskatchewan Ministry of Finance;
- (b) Investment is valued using an internal valuation model, based on management's assumptions;
- (c) Long-term debt instruments are valued at period-end market prices for the underlying debt issues or, when unavailable, for similar instruments; and
- (d) Other financial instruments – including cash and cash equivalents, accounts receivable and unbilled revenue and accounts payable and accrued liabilities – approximate fair value due to the short period to maturity.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

Derivative financial instruments

The following summarizes the market value gains and losses on the Corporation's derivative financial instruments:

Classification	March 31, 2008		December 31, 2007		Market value gains (losses)	
	Asset	Liability	Asset	Liability		
Natural gas contracts						
Two-way collars	HFT ¹	\$ 9	\$ (1)	\$ 4	\$ (4)	\$ 8
Fixed price swap instruments	HFT ¹	18	-	-	(10)	28
Electricity trading contracts						
Contracts for differences	HFT ¹	-	(2)	-	-	(2)
Forward agreements	HFT ¹	2	(2)	-	-	-
		\$ 29	\$ (5)	\$ 4	\$ (14)	\$ 34

1. HFT – held-for-trading.

Fair values are determined as follows:

- (a) Natural gas derivative option instruments (i.e. collars) are valued based on estimates provided by the financial counterparties;
- (b) Natural gas swap instruments are valued using an internal pricing model that uses market data, including average forward monthly natural gas prices obtained from financial counterparties; and
- (c) Electricity trading derivatives, including contracts for differences and forward agreements are valued at period-end market prices.

11. Financial Risk Management (in millions)

By virtue of its operations, the Corporation is exposed to changes in commodity prices, interest rates, and foreign exchange rates. SaskPower may utilize derivative financial instruments to manage these exposures. The Corporation mitigates risk associated with derivative financial instruments through Board-approved policies, limits on use and amount of exposure, internal monitoring, and compliance reporting to senior management and the Board.

Commodity price risk

Natural gas contracts

The Corporation is exposed to natural gas price risk through gas purchased for its natural gas-fired power plants and through certain power purchase agreements that have a cost component based on the price of natural gas. As at March 31, 2008, the Corporation had entered into natural gas contracts to hedge approximately 40% of its forecasted natural gas purchases for 2008 and 17% for 2009.

Based on the Corporation's March 31, 2008 closing positions on its fixed price swap instruments, a one dollar per gigajoule (GJ) increase in the price of natural gas would have resulted in a \$13 increase in the unrealized market value gains recognized in net income for the quarter. This sensitivity analysis does not represent the underlying exposure to changes in the price of natural gas on the remaining forecasted natural gas purchases which are unhedged as at March 31, 2008.

Electricity trading contracts

The Corporation is also exposed to electricity price risk on its electricity trading activities. Electricity trading risks are managed through limits on the size and duration of transactions and open positions. The Corporation does not believe that the impact of fluctuations in electricity prices on outstanding electricity trading contracts will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

Market risk

Debt retirement funds are monies set aside to retire outstanding debt upon maturity. The Corporation is required to pay annually into debt retirement funds which are held and invested by the Province of Saskatchewan – General Revenue Fund. The Corporation has classified these investments as held-for-trading and therefore recognized the change in the market value in net income for the quarter. The Corporation does not believe that the impact of fluctuations in market prices related to these investments will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Interest rate risk

The Corporation is exposed to interest rate risk arising from fluctuations in interest rates on future short and long-term borrowings. Interest rate risk on these expected future borrowings are managed based on the refinancing needs of the Corporation using derivative financial instruments when deemed appropriate. The Corporation has not provided a sensitivity analysis of the impact of interest rate changes on net income as substantially all of the Corporation's debt is at fixed rates as at March 31, 2008.

Foreign exchange risk

The Corporation faces exposure to the U.S./Canadian dollar exchange rate primarily through the sale of electricity to customers in the U.S., as well as from the purchase of goods and services that are payable in U.S. dollars. The Corporation may utilize financial instruments to manage this risk. As at March 31, 2008, the Corporation had no outstanding foreign exchange derivative contracts. The Corporation does not believe that the impact of fluctuations in foreign exchange rates on anticipated sales or purchases will be significant and, therefore, has not provided a sensitivity analysis of the impact on net income.

Credit risk

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. Concentrations of credit risk relate to groups of customers or counterparties that have similar economic or industry characteristics that cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Corporation does not believe it is exposed to a significant concentration of credit risk. The maximum credit risk to which the Corporation is exposed as at March 31, 2008 is limited to the fair value of the financial assets recognized as follows:

Financial assets	Fair value
Cash and cash equivalents	\$ 10
Accounts receivable and unbilled revenue	184
Debt retirement funds	193
Investment	2
Derivative financial instruments asset	29
	<u>\$ 418</u>

- (a) Cash and cash equivalents include short-term investments that have a maturity date of 90 days or less from the date of acquisition. Short-term investments are invested in accordance with Board-approved credit policies and limits in respect to short-term investments. The credit risk related to these investments is considered low.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

- (b) Accounts receivable and unbilled revenue is diversified among many residential, farm and commercial customers primarily throughout Saskatchewan. The following reflects an aging summary of the Corporation's customer accounts receivable balances for both electricity and non-electricity sales at March 31, 2008:

Current	\$	169
30 - 59 days		10
60 - 89 days		3
Greater than 90 days		4
	\$	186
Allowance for doubtful accounts		(2)
	\$	184

The allowance for doubtful accounts is reviewed quarterly based on an estimate of outstanding amounts that are considered uncollectible. Historically, the Corporation has not written-off a significant portion of its accounts receivable balances.

- (c) Debt retirement funds are on deposit with Province of Saskatchewan - General Revenue Fund and invested as the Minister of Finance may determine. At March 31, 2008, the Minister has invested these funds primarily in Provincial government and Federal government bonds with varying maturities to coincide with related long-term debt maturities and are managed based on this maturity profile and market conditions. As such, the related credit risk associated with these investments as at March 31, 2008 is considered low.
- (d) The investment in Aurora Trust Series A Asset-Backed Commercial Paper (Aurora) was purchased on May 31, 2007 with a maturity date of August 31, 2007. As a result of market concerns about asset-backed commercial paper in Canada and the United States that resulted in the inability of the non-bank trust administrators to refinance mature borrowings, SaskPower did not receive the principal it had invested in Aurora at maturity. A consortium of financial institutions in Canada is currently working on a plan intended to help establish normal operations in the Canadian asset-backed commercial paper market. The current expectation is that the Aurora investment will be converted to a longer-term interest paying note, which would be paid off as the underlying assets mature. The investment is recorded at its estimated fair value at March 31, 2008 and is recognized in other assets on the statement of financial position.
- (e) SaskPower is also exposed to credit risk arising from derivative financial instruments if a counterparty fails to meet its obligations. The Corporation maintains Board-approved credit policies and limits in respect to its counterparties.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

Liquidity risk

Liquidity risk is the risk that the Corporation is unable to meet its financial commitments as they become due or can do so only at excessive cost. SaskPower manages the Corporation's cash resources based on financial forecasts and anticipated cash flows. The following summarizes the contractual maturities of the Corporation's financial liabilities as at March 31, 2008:

Financial liabilities	2008	2009	2010	2011	2012 and Beyond
Accounts payable and accrued liabilities	\$ 163	\$ -	\$ -	\$ -	\$ -
Recourse debt ¹	69	3	-	-	2,122
Non-recourse debt ¹	2	4	4	4	72
Derivative financial instruments liability	4	1	-	-	-
	\$ 238	\$ 8	\$ 4	\$ 4	\$ 2,194

1. The amounts reflected do not include \$16 of unamortized debt premiums net of issue costs.

Management believes that future cash flows from operations and availability under existing credit facilities will be adequate to support these financial liabilities.

12. Capital Management (in millions)

The Corporation's objectives when managing capital are to ensure adequate capital to support the operations and growth strategies for the Corporation.

SaskPower raises most of its capital requirements through internal operating activities and long-term debt through the Saskatchewan Ministry of Finance. This type of borrowing allows the Corporation to take advantage of the Province of Saskatchewan's strong credit rating and receive financing at attractive interest rates. SaskPower also has available credit of \$51 at financial institutions that it can draw upon. *The Power Corporation Act* provides the Corporation with the authority to have outstanding borrowings of up to \$5,000.

The Corporation's capital structure consists of gross long-term debt net of debt retirement funds and cash and cash equivalents; and equity, excluding accumulated other comprehensive income.

The Corporation monitors its capital structure using the per cent debt ratio. The current long-term per cent debt ratio target is 60%. The per cent debt ratio is calculated as net debt¹ divided by total capital as follows:

	March 31, 2008
Gross long-term debt	\$ 2,296
Short-term advances	165
Debt retirement funds	(193)
Cash and cash equivalents	(10)
Total net debt ¹	\$ 2,258
Equity advances	660
Retained earnings	908
Total capital	\$ 3,826
Per cent debt ratio	59.0%

1. Net debt is a non-GAAP measure, whose nearest GAAP measure is long-term debt.

The per cent debt ratio at March 31, 2008 was 59.0% which is better than 59.7% at December 31, 2007 and within the target range for the year.

Notes to the Consolidated Financial Statements (Unaudited)

As at March 31, 2008

13. Commitments and Contingencies (in millions)

- (a) A legal action was commenced in 1996 by an individual, in a representative capacity, on behalf of members of the Power Corporation Superannuation Plan (PCSP; the defined benefit pension plan). The claim alleges the Corporation has inappropriately ceased making contributions to the PCSP; incorrectly offered employees early retirement with unreduced pensions; and did not provide sufficient information to allow employees to make an informed decision regarding the choice to either stay within the PCSP or move into the Public Employees Pension Plan.

Since 1996, various legal proceedings have taken place to properly define the claim. A pre-trial conference is now expected to take place in 2008. It is the Corporation's position that the final outcome from the claim is not determinable. As such, no provision has been set up to cover any potential settlement or adverse disposition.

- (b) The Corporation has also issued a \$5 promissory note provided as acceptable credit support for project lenders in respect of the debt coverage service ratio requirements for the Cory Cogeneration Station.
- (c) SaskPower has various other legal matters pending, which in the opinion of management, will not have a material effect on SaskPower's consolidated financial position or results of operations.

14. Comparative Figures

Certain amounts for the prior year have been reclassified to conform with current year financial statement presentation.

SYSTEM MAP

As at December 31, 2007

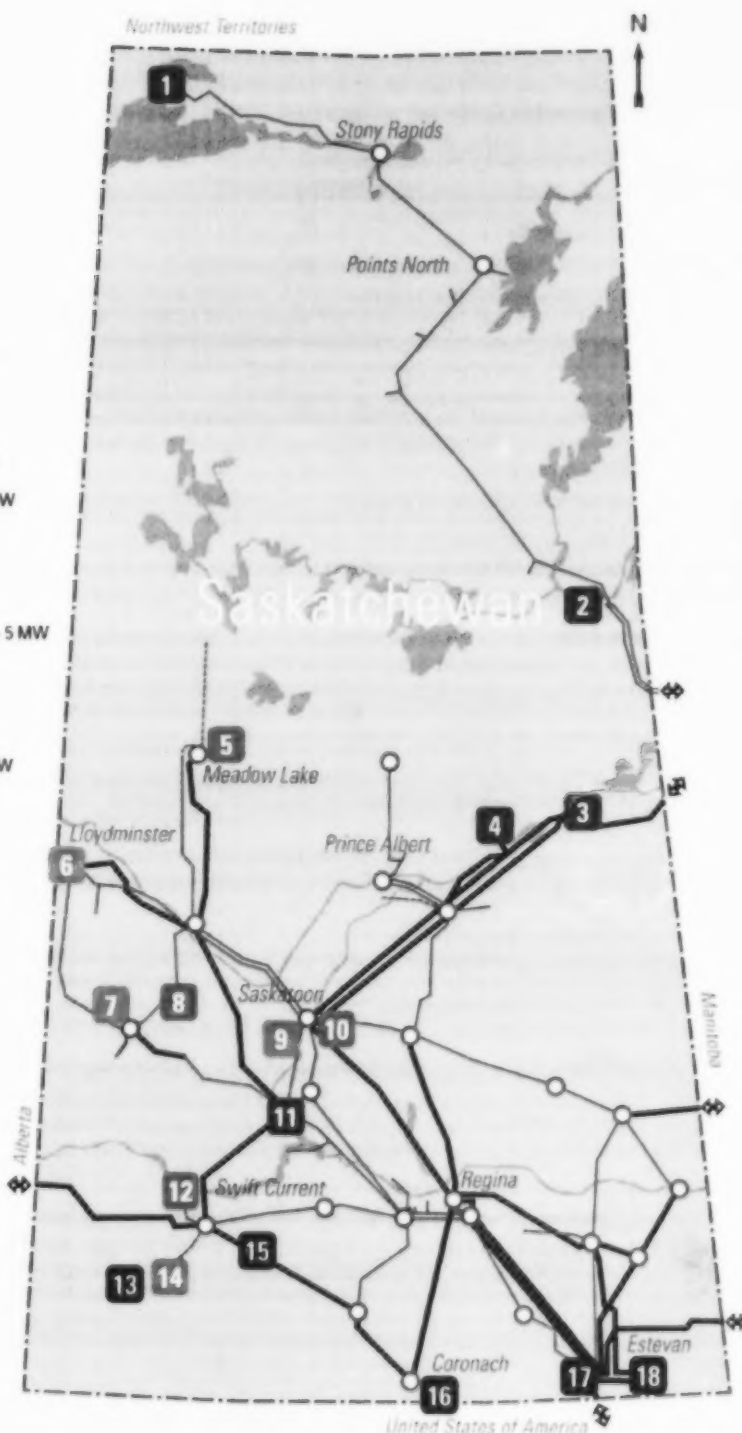
GENERATION (net capacity)

-  Hydroelectric
-  Natural gas
-  Wind
-  Coal
-  Independent Power Producer

1. Athabasca Hydroelectric System - 23 MW
 - Wellington (5 MW)
 - Waterloo (8 MW)
 - Charlot River (10 MW)
2. Island Falls Hydroelectric Station - 102 MW
3. E.B. Campbell Hydroelectric Station - 288 MW
4. Nipawin Hydroelectric Station - 255 MW
5. Meadow Lake Power Station - 44 MW
6. Meridian Cogeneration Station - 210 MW
7. NRGreen Kerrobert Heat Recovery Project - 5 MW
8. Landis Power Station - 79 MW
9. Cory Cogeneration Station - 228 MW
10. Queen Elizabeth Power Station - 385 MW
11. Coteau Creek Hydroelectric Station - 186 MW
12. Success Power Station - 30 MW
13. Cypress Wind Power Facility - 11 MW
14. SunBridge Wind Power Project - 11 MW
15. Centennial Wind Power Facility - 150 MW
16. Poplar River Power Station - 572 MW
17. Boundary Dam Power Station - 813 MW
18. Shand Power Station - 276 MW

TRANSMISSION

-  230 kV
-  138 kV
-  138 kV line operating at 72 kV
-  Switching station
-  Interconnection



GLOSSARY OF TERMS

AECO C

A major Canadian pricing point for natural gas purchases.

Capacity

The greatest load that can be supplied by a generating unit, power station or an entire provincial grid system.

Cogeneration

The simultaneous generation of electricity and useful heat or steam. The heat could be put to use in an industrial process or to heat a facility or community. The electricity could be used by the owner or sold to SaskPower.

Gigawatt (GW)

A unit of bulk power; one billion watts or one million kilowatts.

Gigawatt Hour (GWh)

A unit of bulk energy; 1,000,000 kilowatt hours. One GWh is equivalent to the energy consumed by 125 typical houses in one year.

Kilowatt (KW)

A unit of bulk power; one thousand watts.

Kilowatt Hour (kWh)

A unit of bulk energy; 1,000 watt hours. The measurement is generally used for billing residential customers.

Load

The amount of electric power or energy consumed by a particular customer or group of customers.

Megawatt (MW)

A unit of bulk power; 1,000 kilowatts. The unit generally used to describe the output of a commercial generator.

Megawatt Hour (MWh)

A unit of bulk energy; 1,000 kilowatt hours. The unit generally used to describe the output of a commercial generator.

Midwest Independent Transmission System Operator (MISO)

The Midwest Independent Transmission System Operator, Inc. is a Regional Transmission Organization approved by the Federal Energy Regulatory Commission. Utilities from Manitoba to Kentucky participate in the MISO.

Peak Load Demand

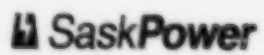
The maximum amount of electric power or energy consumed by a particular customer or group of customers at a precise time.

Transmission

Process of moving electric power in bulk at higher voltages from the source of supply to distribution centres.

Watt (W)

The unit of measurement of electrical power.



Saskatchewan Power Corporation 2025
Victoria Ave | Regina, Saskatchewan
Canada S4P 0S1 saskpower.com